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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: October 3, 1956

SUBJECT: US-Saudi Relations

PARTICIPANTS: Ambassador Abdullah Al-Khayyal of Saudi Arabia
Mr. William M. Rountree, NEA
Mr. David D. Newsom, NE

COPIES TO: NEA(2), NE(3), EUR(1), OLI(2), Jidda(1), Cairo(1)

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Ambassador Al-Khayyal said he desired a general review of US-Saudi problems. First, he wished to ask the Department's assistance in arranging for Azzam Pasha to see Selwyn Lloyd on the Buraimi issue while Mr. Lloyd was in the United States. Mr. Rountree agreed to get in touch with the British delegation on this matter. The Ambassador agreed that the talks were to be unofficial and informal.

The Ambassador asked whether any part of the $60,000,000 in Egyptian funds currently frozen in the United States could be released (Saudi Arabia has previously suggested this as a means of lessening tension in the Suez issue). Mr. Rountree explained that funds were being released from this amount for normal diplomatic mission requirements. He said he would like to see a situation in which all of the Egyptian Government and Suez Canal Company accounts could be released but that the problem of relations with Egypt cannot be solved piecemeal. The freezing of funds, Mr. Rountree said, was not punishment, but it must be considered as one of the consequences of a rash act on the part of Egypt. The sooner the United States can cancel the order the better, he said. It would be misleading to say that the order could be cancelled until the situation changes.

The Ambassador asked about "routine" arms shipments to Israel. Mr. Rountree assured him that there had been no change in U.S. policy.

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The Canadian transaction involving F-86 aircraft, he said, had been under consideration for many months and it would probably be many months more before the planes were actually delivered. He pointed out that the United States had taken no action on large Israeli requests and that Israel had not traditionally bought large quantities from the United States. Shipments from the United States of spare parts, civilian aircraft and other minor equipment to Israel had never amounted to more than a few million dollars a year and they had continued at that rate.

The Ambassador asked about a Saudi Arabian request for spare parts for M-8 Armored cars, which was submitted on May 21, 1956. Mr. Newsom promised to look into this case. The Ambassador was informed that the other Saudi Arabian arms requests were under discussion in Riyadh [redacted] b(1) ED

Mr. Rountree referred to the letter which King Saud had very recently sent to the President and indicated that it was under study by the President. The Ambassador sought comment on the King's proposal for direct talks between the United States and Egypt. Mr. Rountree said that the possibility for direct talks had always existed through normal diplomatic channels, that the United States welcomed any full exchange but that Egypt had not approached the United States directly. He said that in this connection the United States attached importance to the meetings in New York.

[redacted] Irrelevant

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